

**JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON HEALTH AND HUMAN SERVICES**



**Division of Medical Assistance
Medicaid Budget Forecast**

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Agenda



- I. Q1 Total Expenditure Analysis**
- II. SFY13/14 Claims Expenditure Analysis**
- III. Checkwrite Expenditures YTD**
- IV. Actual Expenditures vs. Budget**
- V. SFY15 Full-Year Forecast**
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 - B. Key Assumptions**
- VI. Forecast/Budget Model**
 - A. Process Used to Develop the Model**
 - B. Transition: Model, Reporting and Staff Integration**

Q1 Total Expenditure Analysis



SEPTEMBER YTD EXPENDITURE COMPARISON SFY2015 VS. SFY2014

Fund Name	September YTD Actuals \$M		\$ Variance	
	SFY2014 ^[1]	SFY2015	SFY14 to SFY15	
Medical Assistance Payments	2,487	3,014	528	
Medical Assistance Adj. & Refunds	(68)	(218)	(150)	
Consolidated Supp. Hospital Payments	485	248	(237)	
All Other Funds	184	189	4	
Total ^[2]	\$ 3,088	\$ 3,233	\$ 145	

Enrollment and Drug Spend Continue to Drive Overall Increase

[1] adjusted for periodic payments for UPL of \$287M and Hospital Equity Payments of \$301M made in SFY 14, and not yet in SFY 15

[2] state and federal dollars

Primary drivers of \$528M increase in medical assistance payments from SFY14Adj to SFY15 YTD September

- Additional week of claims payments in SFY15 Q1: \$153M
- Increased enrollment of 5.8%: \$144M
- Additional drug spending above normal associated with an increase in enrollment: \$74M
- Remainder primarily due to lower-than-normal payment activity in SFY14Adj due to rollout of NC Tracks: \$157M

Increase in total claims payments partially mitigated by timing differences of drug rebates and supplemental hospital payments

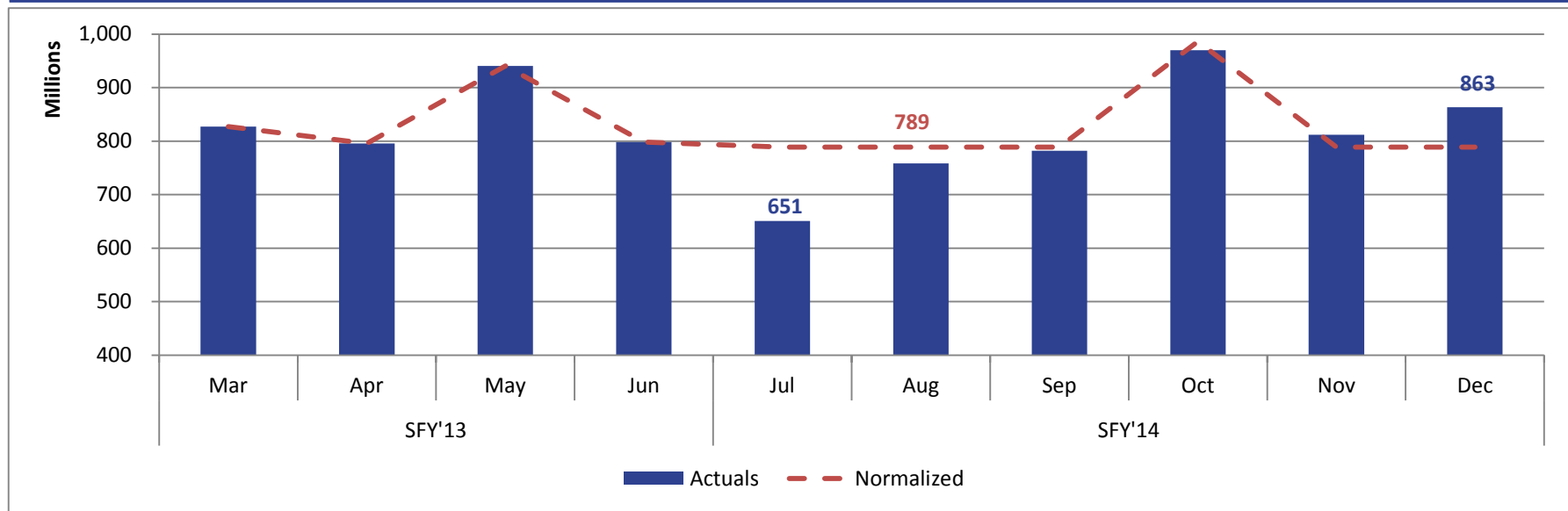
SFY13/14 Claims Expenditure Analysis



KEY OBSERVATIONS

- Underspending vs. normalized expenditures as a result of NCTracks issues persisted for first 3 months of SFY14, resulting in \$175M YTD variance at end of Q1 2013
- However, Q2 SFY2013 expenditures were greater than normalized estimates, indicating that payments were catching up, reducing YTD variance to \$94M at end of 2013 calendar year

SFY13/SFY14 CLAIMS EXPENDITURES BY MONTH



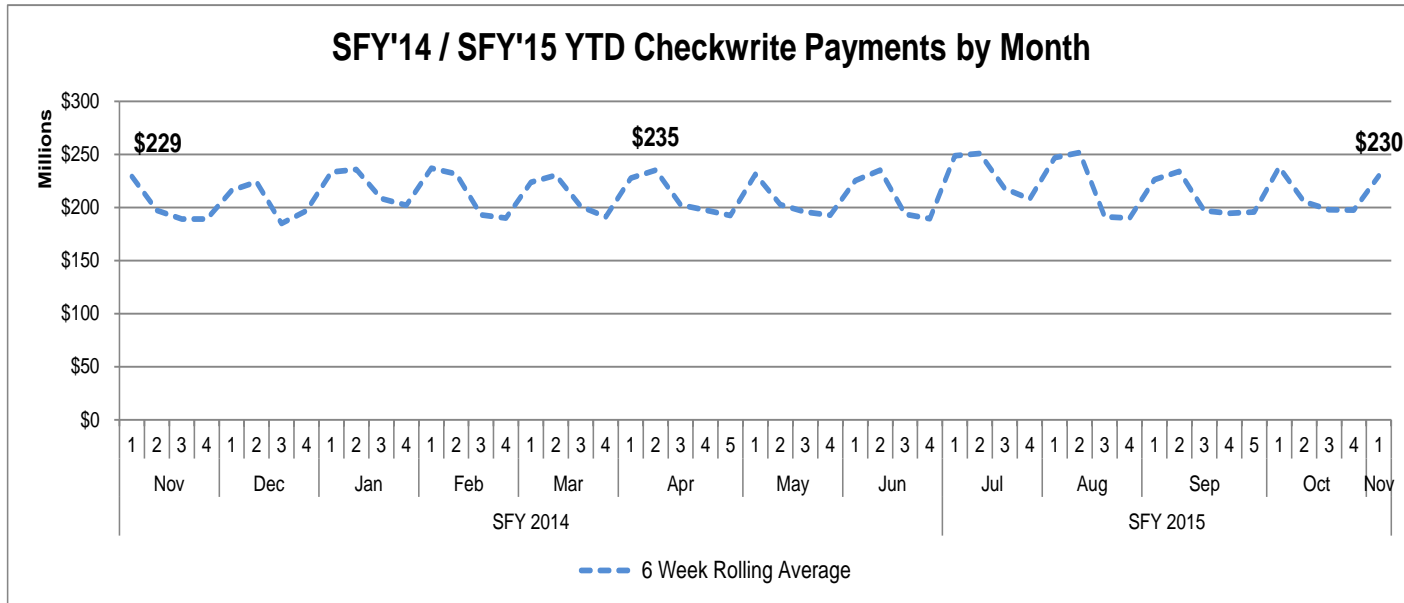
Note: "Normalized" estimates refers to hypothetical monthly expenditures based on average weekly checkwrites from March - May SFY13

Checkwrite Expenditures YTD



CHECKWRITE ANALYSIS THROUGH NOVEMBER 4

**Checkwrite
Expenditures
Remained
Constant over
Last 12 Months**



YEAR-OVER-YEAR COMPARISON

- Overall, Medicaid and Health Choice Q1 SFY2015 claim payments remain relatively constant compared to latest 12 months
- HMO payments, typically made in first week of every month, have been higher-than-forecasted due to a correction to Medicaid eligibility business rules; a one-time payment of \$19.6M was made in September

Actual Expenditures vs. Budget



Medicaid, Health Choice and Medical Assistance
Special Fund expenditures are on budget for first
quarter of SFY2015

- For SFY13 and SFY14, Q1 total state appropriations were 26% of year-end actuals, in general alignment with 25% for SFYQ1 2015

**SFY15 Q1
Expenditures and
Appropriations
are Tracking to
Full-Year Budget**

Q1 YTD Expenditure Comparison SFY2015 vs. Budget

\$ millions	SFY2015		% of BUDGET
	Q1	SFY2015B	
Requirements	3,233	14,148	23%
Nonrecurring Funds for Medicaid Budget Shortfall	(20)	(400)	5%
Normalized Total Requirements	3,213	13,748	23%
Revenues	2,323	10,411	22%
Nonrecurring Funds for Medicaid Budget Shortfall	(13)	(263)	5%
Normalized Total Receipts	2,310	10,148	23%
Enacted Appropriations	910	3,737	24%
Nonrecurring Funds for Medicaid Budget Shortfall	(7)	(137)	5%
Continuing Appropriations	903	3,600	25%

SFY15 Full-Year Forecast – Results



Current SFY15 forecast estimates state appropriations will range from \$3,564M to \$3,647M

- Compared to \$3,737M enacted appropriations budget, full-year forecast expected to reduce need for appropriations by \$90M to \$173M

After adjusting for \$215M of nonrecurring adjustments, which add \$73M to state appropriations, adjusted range is \$3,491M to \$3,574M

- Compared to continuing appropriations budget of \$3,600M, full-year forecast is expected to reduce need for appropriations by between \$26M and \$109M

Under a Range of Scenarios, SFY2015 Full-Year Forecast is Favorable to FY Budget

\$ millions	SFY15	SFY15 Forecast		
	Budget	Low	Base	High
Amounts				
Enacted Appropriations	3,737	3,564	3,605	3,647
less: nonrecurring adjustments	(137)	(73)	(73)	(73)
Continuing Appropriations	3,600	3,491	3,532	3,574
 <i>Inc (dec) vs. SFY15 Budget</i>				
Enacted	N/A	(173)	(132)	(90)
Continuing	N/A	(109)	(68)	(26)

SFY15 Forecast – Key Assumptions



Key assumptions driving base forecast

- Enrollment increase of 107K, or 5.9%
 - Catch-up of enrollment backlog accounts for about 45K of growth
 - Excluding enrollment backlog, full-year forecast growth is 3.3%, consistent with historical enrollment trends
- Drug price increases of 10.1% and 5.4% for branded and generic drugs, respectively, as well as volume increases of 3% and 7%, respectively
 - Assumptions based on SFY11-14 experience and volume were adjusted for SFY15Q1 results

Key Assumption: Average Monthly Enrollment



DMA's enrollment projections by month by program aid category included a prediction of enrollment ("base case") as well as a 95% confidence interval ("high case" and "low case")

Scenario Name	Average Monthly Enrollment				Average Growth over PY		
	SFY12A	SFY13A	SFY14A	SFY15F	SFY13A	SFY14A	SFY15F
High Case:							
Medicaid	1,532,126	1,583,720	1,659,000	1,833,784	3.4%	4.8%	10.5%
Health Choice	145,287	150,934	116,980	77,603	3.9%	(22.5%)	(33.7%)
Medicaid + Health Choice	1,677,414	1,734,654	1,775,980	1,911,387	3.4%	2.4%	7.6%
Base Case:							
Medicaid	1,532,126	1,583,720	1,659,000	1,804,270	3.4%	4.8%	8.8%
Health Choice	145,287	150,934	116,980	76,407	3.9%	(22.5%)	(34.7%)
Medicaid + Health Choice	1,677,414	1,734,654	1,775,980	1,880,677	3.4%	2.4%	5.9%
Low Case:							
Medicaid	1,532,126	1,583,720	1,659,000	1,775,507	3.4%	4.8%	7.0%
Health Choice	145,287	150,934	116,980	75,211	3.9%	(22.5%)	(35.7%)
Medicaid + Health Choice	1,677,414	1,734,654	1,775,980	1,850,718	3.4%	2.4%	4.2%

SFY15 Forecast Enrollment Growth: Breakdown

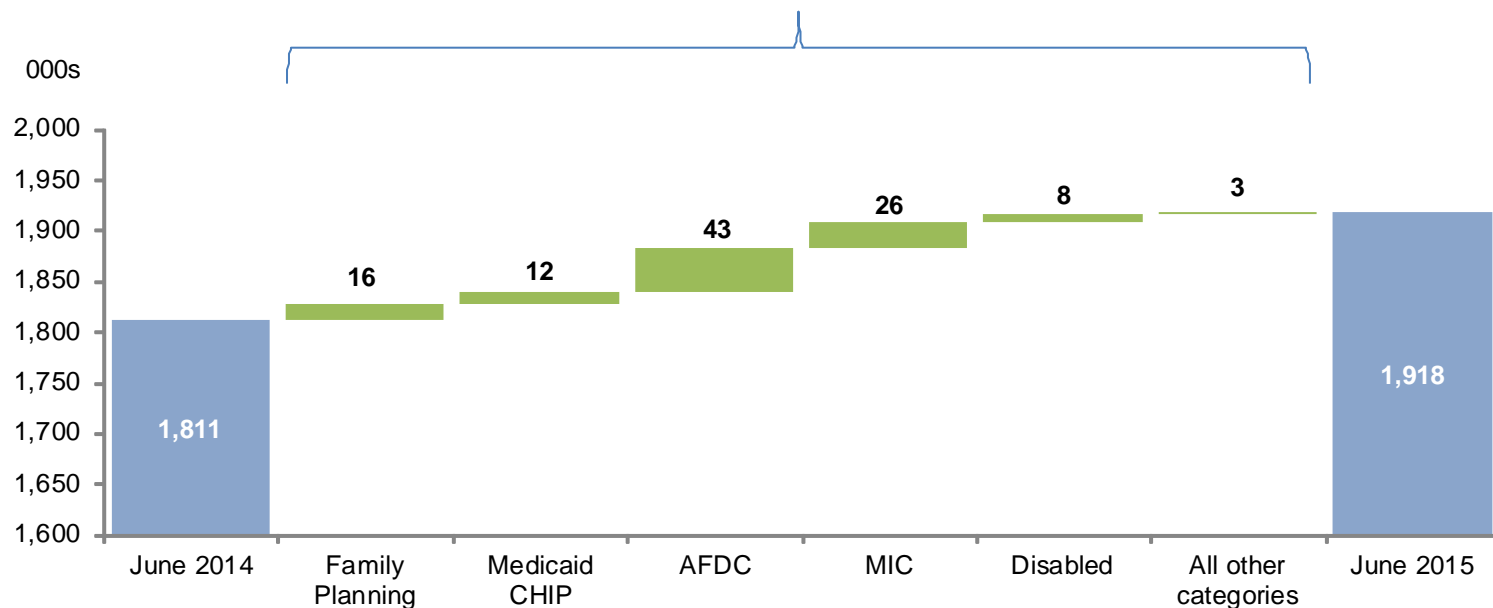


Based on current projections, base case enrollment is forecast to grow by 107K (5.9%); from 1,811K enrollees in June 2014 to 1,918K enrollees by June 2015

- Catch-up of enrollment backlog accounts for about 45K of enrollment growth
- Remaining enrollment increase is consistent with historical enrollment trends

Base Case Forecast Enrollment Changes, June 2014 --> June 2015

Total change in enrollment is 107K



Forecast/Budget Process (1 of 2)



- The process A&M followed in this cycle and is outlining for future use by DMA is reliable, repeatable and easy to understand
- Process Highlights
 - A&M received data from DMA's Business Information Office and analyzed in detail claims account data
 - A&M facilitated numerous discussions with key program office personnel overseeing programs accounting for 99% of claims expenditures
 - Detailed assumptions by account by program aid category were then used to project spending at the account level. For each account, revenues - federal and other - were then estimated, and expected appropriations calculated
- As an output of the process, DMA will receive a robust model with transparent assumptions that can be used to better predict future expenditures (and appropriation needs) for all stakeholders

Forecast/Budget Process (2 of 2)



- As part of the forecast/budget exercise, A&M projected each fund separately
- Given that Fund 1310 Medical Assistance (the claims fund) makes up approximately 80% of the spending, particular attention was given to that fund. Specifically, Fund 1310 was projected:
 - By Account
 - By Program Aid Category (PAC)
 - By Month
- All other funds were projected by account by month

Fund	Fund Description	% of Expend
1310	Medical Assistance	79.5%
1101	DMA Administration	0.3%
1102	Contracts and Agreements	1.1%
1103	HIT	0.5%
1210	Medical Assistance - County Administration	0.0%
1311	Community Care of North Carolina	1.4%
1320	Medical Assistance Cost Payments	1.6%
1330	Medical Assistance Adjustments & Refunds	(0.5%)
1331	Rebates	(5.4%)
1337	Consolidated Supplemental Hospital Payments	21.1%
1340	Undispositioned Receipts	0.2%
1350	Medical Assistance-Period Interim Payments	0.1%
1993	Prior Years Audit & Adjustments	0.0%
Total, All Funds		100.0%

Transition: Model, Reporting and Staff Integration



NOVEMBER

Break down budget model into modules and assign each module to an existing or soon-to-be-hired DMA budget team member

Create shell of variance reporting by account and fund and document data sources/point-of-contact process

Integrate program staff into budget and forecast process

DECEMBER

Complete model “owner’s manual” write-up of modular budget model

Facilitate first draft of variance reporting and modify processes based on available information

Onboard all new finance staff and assign key roles and responsibilities

JANUARY

Hold model training sessions and do live tests of DMA performing model updates and scenario analysis

Assist DMA personnel in ongoing budget discussions

Coach and monitor finance personnel on key activities and identify areas of focus for new management and ongoing support